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## Opportunity Knocks for Developers to Meet Students' Demands

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As soon as the agent hands over the keys, your beloved property is at the mercy of the tenants

# Key facts reluctant landlords need to learn about tenants

Ann Byrne bought her Portlaoise home close to the top of the property market in 2006 for €330,000. After living in the home for more than a year, the Dubliner and her boyfriend found commuting to work and childcare increasingly difficult, so they decided to move back to the city. They bought another home property in Dublin, taking on a second mortgage in early 2008 but without offloading Portlaoise first. By the time they looked at selling it on, it was too late. The crash came, the property wouldn't sell and by 2013, four-bedroom homes on their estate were going for just €80,000. Byrne (not her real name) is now both an accidental and reluctant landlord. "The worst thing about being a landlord is losing money hand over fist every month because the rent doesn't cover the mortgage," she says. "We have never seriously considered handing the house back to the bank. We take the attitude that we made our bed so should now lie in

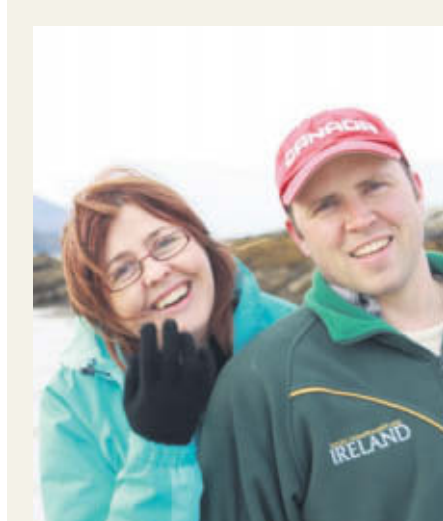
Renting out properties stuck in negative equity may only open the door to a new set of problems, writes Sorcha Corcoran

it. We made this investment, so don't want to walk away." Byrne's experience has been marred by some difficult tenants. She ended up turning to the Private Residential Tenancies Board to solve a dispute with one set after they stopped paying their rent for six months and damaged the house. The board ruled in favour of the landlords, though they never managed to recover the money. When the tenants were finally evicted, they tried to resist by changing the locks but were intercepted by Byrne and her boyfriend. "Tenants can be a nightmare especially when they don't pay their rent," she says. "They have all the rights and we are viewed as the big bad landlord all the

time, despite the fact we're just trying to pay our mortgages. I'd like to see landlords and tenants have equal rights. There are bad landlords out there who do treat their tenants horribly but there are tenants who take advantage." Accidental landlords aren't a totally new phenomenon; in years gone by, people who inherited properties and then decided to rent them out could have been regarded as accidental landlords. But in the past few years a new breed has emerged, many of whom feel as if they've been involved in a collision and now have to live with the scars. Research suggests this breed is growing in numbers — a report published in October last year by the board shows 36% of the 400 landlords

surveyed in a Red:C poll indicated they were accidental landlords. Institutional landlords have been active in recent years but for the most part, Irish landlords operate on a smaller scale. "We know from both this research and from the PRTB Register of Tenancies that the majority of landlords in Ireland [65%] own just one property while 17% have two properties and 9% own three," says Anne Marie Caulfield, director of the PRTB. "Unsurprisingly, 82% of accidental landlords have only one." The claim that about a third of all landlords in Ireland fall into the "accidental" category is only a rough one as 400 is a small sample of the 156,000 or so landlords registered with the board. On top of this figure, some landlords have not registered with it as they don't want their changed situation known to Revenue and the banks.

Perhaps what is more interesting about the Red:C research is the reasons landlords gave for their "accidental" status, which seem to reflect what is going on in wider society. Some bought houses with the intention of always calling them home but the recession meant they could no longer make the mortgage repayments so decided to move in with family and let the property. Others saw their home purchase as the first step on the property ladder, with the aim of moving to bigger and better things when their circumstances changed. The recession put paid to this aspiration as negative equity prevented people selling their properties, while their changing circumstances forced them to move on and let the property. Moving to take up employment opportunities and letting out the original family home was another of the common reasons given for being an accidental landlord in the PRTB report. For those accidental landlords who don't register with the board or declare their rental income, the 75% relief on their mortgage interest will not be applicable if Revenue catches up with them somewhere down the line, notes Marie Flynn, tax director at PwC. Caulfield says some categories of accidental landlords have limited financial reserves, and in those circumstances can find it difficult to maintain the rented dwelling to the proper standards. "This could also put their tenants in a very difficult position, for example, if a boiler breaks down in winter. Many accidental landlords are also very dependent on rental income to service the mortgage on the rental property. Therefore, rent arrears or vacant periods can have serious consequences for them," says Caulfield. Martin Reaney, founder of Reaney Property Management in Dublin, believes that when people make the decision to become a landlord, whether consciously or reluctantly, they don't appreciate what they're getting themselves into or how it might change their lives. "In my 20 years working in the property sector I have experienced some terrible scenarios, such as plumbing leaks ruining entire houses, but in most cases there are going to be niggling problems," says Reaney. "When you're living in a property you patch things up and make do but as a landlord things have to be up to standard to protect tenants." He notes that informing your insurance company that your property is being rented out is important. "You need to look through your insurance policy closely to make sure there are no clauses about renting. People sometimes decide to wing it, but I always advise erring on the side of caution as you're responsible for people's lives."



## I get a sick feeling when tenants call

The tax aspect of being a landlord doesn't sit well with Louise Wight, left, who moved to Canada in late 2013 when her Canadian husband James was offered a job. The Wights had bought their home in Laois for €275,000 at the height of the boom. When they moved, the value of the home had dropped below €100,000. "Our house was only worth one third of what we paid for it and selling wasn't an option," says Wight. In August last year, the couple received a bill for €380 for the non-principal private residence charge. This tax was abolished in 2014 but liabilities can still be collected. Being a landlord was a totally new

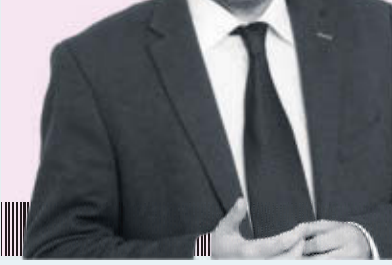
experience for the couple, and something they never envisaged. Initially, Louise opted to use a local letting agent whose yearly fee was one month's rent. The agent found good tenants within a few days. Being new to the letting world has thrown up a number of issues for the couple. "I am not always sure what to do as a landlord. When I hear from the tenants I always get a sick feeling. "So far we've had plumbing issues, the heating has broken, a leaky shed and gardening issues. My dad and brothers have been a great help with these and I have insurance with the gas company for the boiler, which I would advise."

# Opportunity knocks for developers to meet students' demands

Student accommodation is in short supply in Ireland, an issue that was covered in these pages last week. As a housing analyst, I see the topic arising time and time again. In a radio studio recently, Kevin Donoghue, the president of the Union of Students of Ireland, told me that, for the first time, it was not only first-year students who were asking for housing advice, but also second- and third-year students. Students who should have been able to house themselves. There are about 25,000 students in the private rental sector in Ireland. In Britain and Belgium, where I went to university, about a third are housed in specialist student accommodation, which is provided by the university or an outside company on behalf of the university. Student housing provided by commercial entities is a relatively new phenomenon in Ireland. Developments are happening: in Summerhill in Dublin 1 and in the Tenter in Dublin 8, for example, but there is demand for much more. Mark Forrest, a student housing expert at commercial estate agent BNP Paribas, estimates that there is an immediate demand for about 8,000 student beds in

Dublin alone even after the academic year has begun. And then there's Galway, Limerick and Cork. So why don't we have the same tradition of student housing as the UK or other countries? First, Ireland is a small country with many higher education institutions in towns and cities. Second, about 75% of the country is within an

## LORCAN SIRR ON THE HOME FRONT



First-years may be more interested in meeting people — and sharing a bathroom

hour's drive of a city, so many students are within commuting distance and live at home. Irish students are becoming more mobile and student housing providers, mainly from the UK, are starting to become active in the larger cities here. There is a skill to getting student accommodation right,

however. For a start, it must provide at least 200 beds and there can be no bedrooms on the ground floor because they don't let. Also, some commercial units need to be part of the mix. Supermarkets, newsagents, bakeries and specialist university bookshops all do well in this environment. Location is key, too. Whereas UK students tend to live in the city centre,

Irish ones tend to prefer to live along public transport routes outside the city core. There is also a need for a mixture of room types. Whereas a small room with a shared bathroom might suit a first-year undergraduate who is more keen on meeting people than studying, it will probably not appeal to a mature postgraduate student or visiting professor. Increasingly, there are also students with families, particularly those coming from overseas. For cultural and religious reasons, many of these don't buy into the Irish pub culture, so a kitchen for home entertainment is essential. Rooms with en-suite bathrooms are also important but, perhaps unsurprisingly, the most critical aspect of student housing is stable, high-speed wi-fi. For standard accommodation, rents can be about €200 per week. They are not cheap, but they come without the hassle of bills, dealing with landlords, and disputes over deposits. Contracts are usually for just nine months, as opposed to 12 in the private market. Student housing is often used for language schools and conferences in the summer, so provide a lucrative income

## THE MOST CRITICAL ASPECT OF THIS FORM OF HIGHER EDUCATION HOUSING IS FAST, STABLE WI-FI

for developers. Student housing also requires few on-site staff. Unfortunately, professional student housing operators are still wary of the Irish market and particularly of our planning system in which applications often take up to a year to process. So providing proper student housing is a win-win, giving students safe, hassle-free accommodation while also taking considerable numbers out of the private rental sector. The next challenge is getting them to turn up to lectures.

## This timid budget left no room for imagination

### LINDA DALY MARKET WATCH



Budget 2016 has come and gone, and the consensus is that it turned out to be one gigantic damp squib. The property industry has been unanimous in its conclusion that it didn't go far enough. Though it would say that, wouldn't it? The Society of Chartered Surveyors Ireland (SCSI) said the government had "missed an opportunity to fix the 'broken' housing sector". The Construction Industry Federation was less scathing. Its director-general Tom Parlon said "positive initiatives" were announced. He drew attention to the measures to assist the self-employed — the home renovation incentive — which has been extended to December 31, 2016, and an increase in social housing allocation by €69m to €414m. But the federation pointed towards an over-reliance on Nama to solve the housing crisis. The government has said that Nama will "aim" to build 20,000 properties by 2020. At the SCSI annual conference on Thursday, John FitzGerald, of Trinity College and the Economic and Social Research Institute, pointed out that the market needed 25,000 homes a year just "to stand still". There were no measures to cut construction costs or make house building more attractive for developers. The federation's call for reduced VAT on new homes went unanswered, as did the reduction in local authority levies. The rental sector was also not tackled. There was no reduction in landlords' annual tax bill. The government has done nothing to plug surging rents. Environment minister Alan Kelly's proposed rent certainty plan was thrown into doubt when expenditure minister Brendan Howlin refused to back it in his post-budget press conference. When it comes to creativity, Fine Gael and Labour in government lack imagination. Budget 2016 was no different.

### Price watch: Galway

#### Manor Court Knocknacarra

3-bed semi

2010 €205,000

2015 €215,000



Up 4.9%

#### Lower Newcastle Newcastle

3-bed terraced

€305,000

€324,000

Up 6.2%

#### Rosan Glas Rahoon

4-bed semi

€258,000

€249,000

Down 3.5%

#### Hymany Park Ballinasloe

3-bed semi

€17,500

€22,000

Up 25.7%